

CLAIMS

The invention is claimed as follows:

1. A financial instrument adapted to be listed and traded on a trading facility on which a plurality of standard options are listed and traded, said financial instrument
5 comprising:
 - an underlying asset having a variable value;
 - a delayed start option to either buy or sell a stake in the underlying asset at a strike price to be determined on a strike price setting date which occurs a predefined length of time prior to an expiration date of said delayed start option;
 - 10 said strike price being determined on the strike price setting date by converting the delayed start option to a standard option having a fixed strike price at or near the value of the underlying asset on the strike price setting date.
2. The financial instrument of claim 1 wherein the underlying asset comprises a
15 tangible asset.
3. The financial instrument of claim 2 wherein the tangible asset is a security.
4. The financial instrument of claim 2 wherein the tangible asset is a commodity.
- 20 5. The financial instrument of claim 2 wherein the tangible asset is a bond or note.
6. The financial instrument of claim 2 wherein the tangible asset is an exchange traded fund.

7. The financial instrument of claim 2 wherein the underlying asset is an intangible asset.

5 8. The financial instrument of claim 7 wherein the intangible asset is a market index.

9. The financial instrument of claim 7 wherein the intangible asset is a derivative.

10 10. The financial instrument of claim 1 wherein said delayed start option comprises a call option.

11. The financial instrument of claim 1 wherein said delayed start option comprises a put option.

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12. The financial instrument of claim 1 wherein said strike price setting date is three months prior to the expiration date.

13. The financial instrument of claim 1 wherein said strike price setting date is 30
20 days prior to the expiration date.

14. The financial instrument of claim 1 wherein said strike price setting date is two months prior to the expiration date.

15. The financial instrument of claim 1 wherein the standard option to which the delayed start option is converted is a standard option from among said plurality of standard options having a fixed strike price nearest the value of the underlying asset on the strike price setting date.

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16. The financial instrument of claim 1 wherein the standard option to which the delayed start option is converted is the standard option from among said plurality of standard options having a fixed strike price nearest to and less than the value of the underlying asset.

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17. The financial instrument of claim 1 wherein the standard option to which the delayed start option is converted is a standard option from among said plurality of standard options having a fixed strike price nearest to and greater than the value of the underlying asset on the strike price setting date.

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18. A method of creating an option that will be at-the-money on a strike price setting date a predefined period of time prior to expiration of the option, and which may be held and traded prior to the strike price setting date, the method comprising the steps of:

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selecting an underlying asset having a variable value;

listing a plurality of standard options to either buy or sell a stake in the underlying asset at a fixed strike price;

creating a delayed start option to either buy or sell a stake in the underlying asset at a strike price to be determined on a predefined strike setting date in the future; and

converting said delayed start option to a standard option selected from said plurality of standard options having a fixed strike price at or near the value of the underlying asset on the strike price setting date, thereby creating a standard at-the-money option as of the strike price setting date.

19. The method of claim 18 wherein the step of converting the delayed start option contract further comprises the steps of identifying first and second standard option contracts having respective first and second standard option strike prices above and below the variable strike price of the delayed start option contract on the strike price setting date, and converting the delayed start option contract into one of said first and second identified standard option contracts.

20. The method of claim 19 wherein the step of converting the delayed start option contract comprises converting the delayed start option contract into one of the first and second identified standard option contracts having a standard option strike price nearest the variable strike price of the delayed start option contract on the strike price setting date.

21. The method of claim 19 wherein the step of converting the delayed start option contract comprises converting the delayed start option contract into one of the first and second identified standard option contracts having a standard option strike price

nearest and above the variable strike price of the delayed start option contract on the strike price setting date.

22. The method of claim 19 wherein the step of converting the delayed start option contract comprises converting the delayed start option contract into one of the first and second identified standard option contracts having a standard option strike price nearest and below the variable strike price of the delayed start option contract on the strike price setting date.

23. The method of claim 18 further comprising the step of allocating the difference in value between an option having a strike price equal to the value of the underlying asset and the value of the standard option to which the delayed start option is converted between a long party and a short party.

24. The method of claim 23 wherein the step of allocating the difference in value comprises calculating a cash adjustment by taking the difference between the closing value of the underlying asset on strike price setting date and the fixed strike price of the standard option to which the delayed start option is converted and multiplying the difference by one half.

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25. The method of claim 24 wherein the step of allocating the difference in value between an option having a strike price equal to the value of the underlying asset and the value of the standard option to which the delayed start option is converted comprises granting a credit to the long party to a delayed start call option and charging

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a debit to the short party to the delayed start call option in an amount equal to the cash adjustment if the fixed strike price of the standard option to which the delayed start option is converted is greater than the closing value of the underlying asset on the strike price setting date.

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26. The method of claim 24 wherein the step of allocating the difference in value between an option having a strike price equal to the value of the underlying asset and the value of the standard option to which the delayed start option is converted comprises granting a credit to the short party to a delayed start call option and charging a debit to the long party to the delayed start call option in an amount equal to the cash adjustment if the fixed strike price of the standard option to which the delayed start option is converted is less than the closing value of the underlying asset on the strike price setting date.

15 27. The method of claim 24 wherein the step of allocating the difference in value between an option having a strike price equal to the value of the underlying asset and the value of the standard option to which the delayed start option is converted comprises granting a credit to the long party to a delayed start put option and charging a debit to the short party to the delayed start put option in an amount equal to the cash adjustment if the fixed strike price of the standard option to which the delayed start option is converted is less than the closing value of the underlying asset on the strike price setting date.

28. The method of claim 24 wherein the step of allocating the difference in value between an option having a strike price equal to the value of the underlying asset and

the value of the standard option to which the delayed start option is converted comprises granting a credit to the short party to a delayed start put option and charging a debit to the long party to the delayed start put option in an amount equal to the cash adjustment if the fixed strike price of the standard option to which the delayed start
5 option is converted is greater than the closing value of the underlying asset on the strike price setting date.

29. A method for converting a delayed start option contract based on an underlying asset having a variable value to a standard option contract traded on an exchange, the
10 method comprising the steps of:

determining a strike price for the delayed start option contract on a strike setting date;

identifying a category of standard option contracts traded on the exchange based on the same underlying asset as the delayed start option contract, having an
15 expiration date that is the same as the expiration date of the delayed start option contract, and having a strike price near the value of the underlying asset on the strike setting date, and;

converting the delayed start option contract into a standard option contract belonging to the identified category of standard option contracts.